

# ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Cardoza Analyst: Paul Brainin Bill Number: AB 469  
Related Bills: AB 2401 (95/96) Telephone: 845-3380 Amended Date: 06-10-98  
Attorney: Doug Bramhall Sponsor: See Analysis

**SUBJECT:** Limited Liability Companies Or Limited Liability Partnerships/Architecture

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

X DEPARTMENT POSITION CHANGED TO Pending.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED \_\_\_\_\_ STILL APPLIES.

X OTHER - See comments below.

### SUMMARY OF BILL

This bill would add limited liability company (LLC) and limited liability partnership (LLP) to the definition of "person" in the Business and Professions Code pertaining to architects.

This bill also would add "the practice of architecture" to the definitions of "Professional LLP," "Registered LLP," and "Foreign LLP" in the Corporations Code.

This bill also would require registered or foreign LLPs to provide security for certain claims against them.

### SUMMARY OF AMENDMENT

The June 10, 1998, amendments deleted provisions on real estate law and added the language discussed in this analysis.

### EFFECTIVE DATE

This bill would be effective January 1, 1999.

### SPECIFIC FINDINGS

**Existing state law** in the Business and Professions Code pertaining to architecture defines "person" as including any individual, firm, or corporation.

**Existing state law** permits LLCs to engage in any lawful business activity except professional services. **Current state law** also recognizes foreign LLCs and

### Board Position:

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<u>      </u> SA	<u>      </u> O	<u>      </u> NAR
<u>      </u> N	<u>      </u> OUA	<u>      </u> <u>X</u> PENDING

### Department Director

### Date

Gerald H. Goldberg

7/3/98

permits them to register to conduct business in California.

**Existing state law** in the Uniform Partnership Act defines "professional LLP services" to mean the practice of public accountancy or law.

**Existing state law** in the Uniform Partnership Act defines "registered LLP" and "foreign LLP" to mean a partnership, other than a limited partnership, that engages in the practice of public accountancy or law.

**This bill** would include LLC and LLP in the definition of "person" in the Business and Professions Code pertaining to architecture.

**This bill** would include "the practice of architecture" in the definitions of "registered LLP" and "foreign LLP" in the Uniform Partnership Act of the Corporations Code.

**This bill** also would add provisions to the Corporations Code regarding insurance requirements of LLPs providing architectural services.

#### Implementation Considerations

This bill would raise no implementation concerns.

#### Technical Consideration

This bill would include LLC in the definition of "person" in the Business and Professions Code pertaining to architecture, but existing state law prohibits LLCs from engaging in professional services, one of which is architecture.

### FISCAL IMPACT

#### Departmental Costs

There would be no departmental costs associated with this bill.

#### Tax Revenue Estimate

Based upon the number of licensed architects relative to the number of lawyers and accountants (15%) and the current law estimate for LLP status, which applies only to lawyers and accountants (\$1 million net gain annually), this bill would result in a net revenue gain overall of approximately \$150,000 annually. This assumes architectural firms now formed as general partners would become LLPs subject to the annual \$800 LLP tax.

### PROPOSERS OF THE LEGISLATION

This bill is sponsored by the American Institute of Architects, California Council.

### BOARD POSITION

Pending.